

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>		Printed Name		License Number

# **CITY OF YALE**

St. Clair County, Michigan

## **FINANCIAL STATEMENTS**

June 30, 2006

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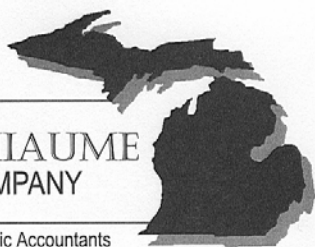
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BERTHIAUME  
& COMPANY

Certified Public Accountants



60 Harrow Lane  
Saginaw, Michigan 48638

(989) 791-1555  
Fax (989) 791-1992

## INDEPENDENT AUDITORS' REPORT

To the Members of City Council  
City of Yale, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Yale as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Yale's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Yale, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2006, on our consideration of the City of Yale's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Yale's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Berthiaume & Co.*

October 5, 2006

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Overview of the Financial Statements:

The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's status. The remaining statements are fund financial statements that focus on individual parts of the City's operations.

### Government-wide Financial Statements:

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – are one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

***Governmental Activities*** – Most of the City's basic services are included here, such as the public safety, public works, and recreation departments, and general administration. Property taxes, State-shared revenue, charges for services, grants, and transfers provide much of the funding.

***Business-type Activities*** – The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems are included here.

***Component Units*** – The City includes the Downtown Development Authority and the Local Development Finance Authority in its report.

### Fund Financial Statements:

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

***Governmental Funds*** – Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

***Proprietary Funds*** – Services to which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both short- and long-term financial information.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

***Fiduciary Funds*** – The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

### **Financial Highlights:**

- Assets of the City exceeded its liabilities at the end of the fiscal year by \$6,914,453 (net assets), an increase of \$1,048,792 from the previous year. Of the \$6,914,453 reported in net assets, \$1,347,493 (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.
- Net assets of our governmental activities increased \$951,538, or 42 percent, while net assets of our business-type activities increased \$97,254, or 3 percent.
- Unrestricted net assets for governmental activities are 95% of expenses, while unrestricted net assets of business-type activities are 86% of expenses.
- The General Fund reported a net change in fund balance of \$51,750 for the year. This resulted in a year end fund balance of \$607,144. Of this amount, \$564,226 is unreserved and undesignated, or 73 percent of General Fund expenditures.
- The City's total debt decreased by \$197,000 during the current fiscal year.

### **The City as a Whole:**

The City's combined net assets are \$6,914,453 at June 30, 2006. Business-type activities make up \$3,697,977 and governmental activities make up \$3,216,476 of the total. A comparative condensed statement of net assets and condensed statement of activities are shown below.

### **City of Yale – Net Assets:**

As noted earlier, the City's assets exceed its liabilities at the end of the fiscal year by \$6,914,453 (net assets). However, a major portion (75 percent) of the City's net assets represents its investment in capital assets (e.g., land, infrastructure, buildings, and equipment) less any related debt used to acquire or construct these assets. The City uses these assets to provide services to its citizens; thus, these assets are not available for spending.

Unrestricted net assets of the City decreased from \$1,562,328 at June 30, 2005 to \$1,343,013 at the end of this year. This amount represents the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Furthermore, the City is able to report positive balances in all three categories of net assets for its governmental and business-type activities.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a comparative condensed statement of net assets at June 30, 2006 and 2005:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Assets:</b>						
Current and other assets	\$ 1,593,310	\$ 1,300,752	\$ 571,733	\$ 755,701	\$ 2,165,043	\$ 2,056,453
Capital assets	<u>2,020,850</u>	<u>1,148,761</u>	<u>5,945,863</u>	<u>5,860,646</u>	<u>7,966,713</u>	<u>7,009,407</u>
Total assets	<u>3,614,160</u>	<u>2,449,513</u>	<u>6,517,596</u>	<u>6,616,347</u>	<u>10,131,756</u>	<u>9,065,860</u>
<b>Liabilities:</b>						
Long-term liabilities	147,311	162,707	2,779,534	2,947,939	2,926,845	3,110,646
Other liabilities	<u>250,373</u>	<u>21,868</u>	<u>40,085</u>	<u>67,685</u>	<u>290,458</u>	<u>89,553</u>
Total liabilities	<u>397,684</u>	<u>184,575</u>	<u>2,819,619</u>	<u>3,015,624</u>	<u>3,217,303</u>	<u>3,200,199</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	2,021,508	1,003,761	3,168,863	2,914,646	5,190,371	3,918,407
Restricted	305,313	320,134	75,756	64,792	381,069	384,926
Unrestricted	<u>889,655</u>	<u>941,043</u>	<u>453,358</u>	<u>621,285</u>	<u>1,343,013</u>	<u>1,562,328</u>
Total net assets	<u>\$ 3,216,476</u>	<u>\$ 2,264,938</u>	<u>\$ 3,697,977</u>	<u>\$ 3,600,723</u>	<u>\$ 6,914,453</u>	<u>\$ 5,865,661</u>

# CITY OF YALE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes in net assets for 2006 and 2005:

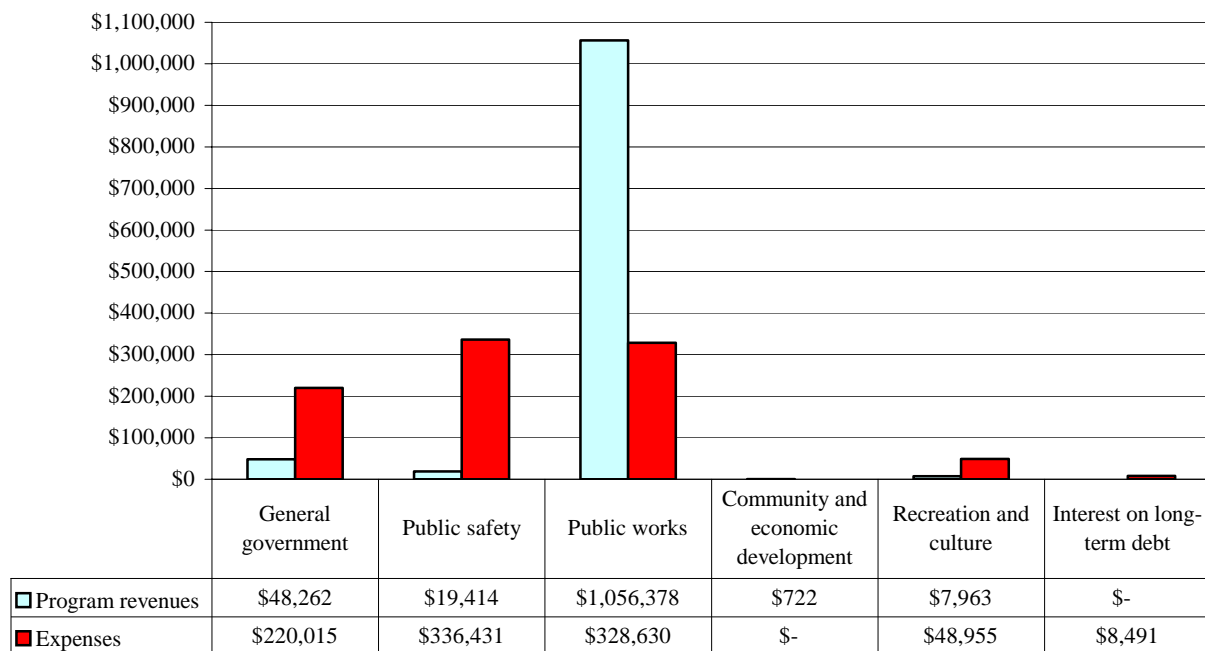
	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 213,338	\$ 143,219	\$ 609,699	\$ 623,175	\$ 823,037	\$ 766,394
Operating grants/contributions	156,508	146,317	-	-	156,508	146,317
Capital grants/contributions	762,893	-	-	116,998	762,893	116,998
General revenues						
Property taxes	478,190	476,704	-	-	478,190	476,704
State revenue sharing - sales tax	211,887	214,271	-	-	211,887	214,271
Investment earnings	38,504	47,319	12,551	22,187	51,055	69,506
Miscellaneous	5,573	14,616	-	-	5,573	14,616
Total revenues	1,866,893	1,042,446	622,250	762,360	2,489,143	1,804,806
<b>Expenses:</b>						
General government	220,015	240,725	-	-	220,015	240,725
Public safety	336,431	361,220	-	-	336,431	361,220
Public works	328,630	266,331	-	-	328,630	266,331
Recreation and culture	48,955	49,167	-	-	48,955	49,167
Interest on long-term debt	8,491	7,363	-	-	8,491	7,363
Sewer	-	-	219,207	199,391	219,207	199,391
Water	-	-	305,789	268,409	305,789	268,409
Total expenses	942,522	924,806	524,996	467,800	1,467,518	1,392,606
Excess (deficiency) of revenues over expenses	924,371	117,640	97,254	294,560	1,021,625	412,200
<b>Other Items:</b>						
Contributions to principal of permanent funds	7,150	4,600	-	-	7,150	4,600
Special item - Sale of capital assets	20,017	52,371	-	-	20,017	52,371
	27,167	56,971	-	-	27,167	56,971
<b>Change in net assets</b>	951,538	174,611	97,254	294,560	1,048,792	469,171
Net assets, beginning of year	2,264,938	2,090,327	3,600,723	3,306,163	5,865,661	5,396,490
Net assets, end of year	\$ 3,216,476	\$ 2,264,938	\$ 3,697,977	\$ 3,600,723	\$ 6,914,453	\$ 5,865,661

## MANAGEMENT'S DISCUSSION AND ANALYSIS

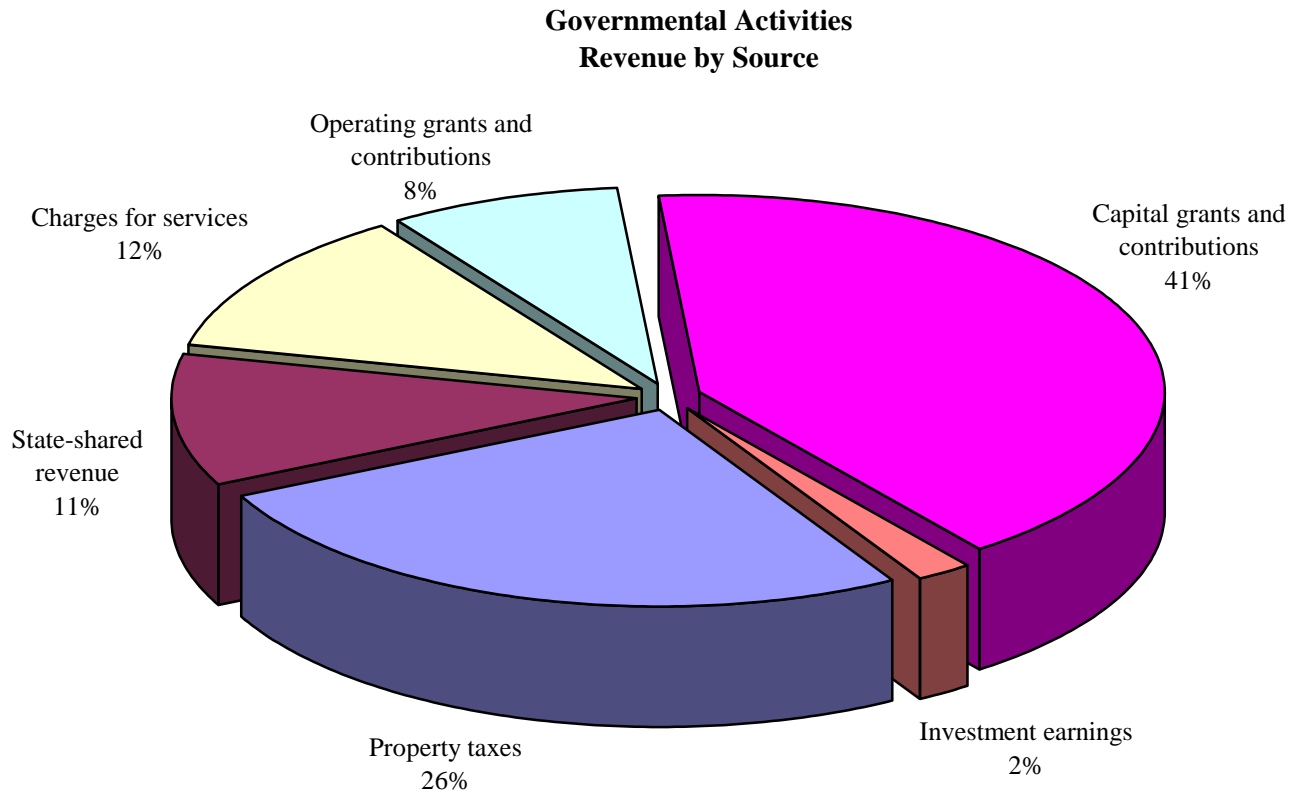
### Governmental Activities:

For the year ended June 30, 2006, revenues for the City's governmental activities totaled \$1,866,893. Property taxes accounted for 26 percent of the total revenues, or \$478,190. State-shared revenues were 11 percent, or \$211,887; these revenues continue to be a concern as to future funding levels. In the current year, the City received a substantial amount of federal funding for City street infrastructure. This accounted for \$718,605 of the City's revenues.

### Governmental Activities Program Revenues and Expenses



## MANAGEMENT'S DISCUSSION AND ANALYSIS

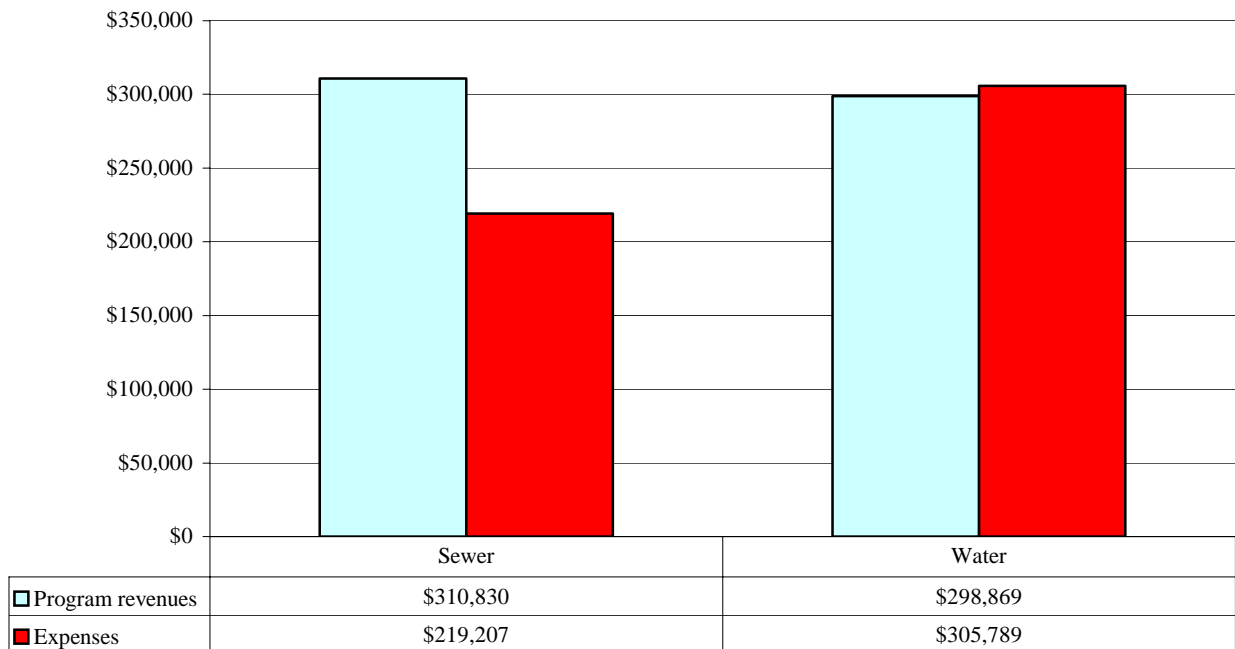


## MANAGEMENT'S DISCUSSION AND ANALYSIS

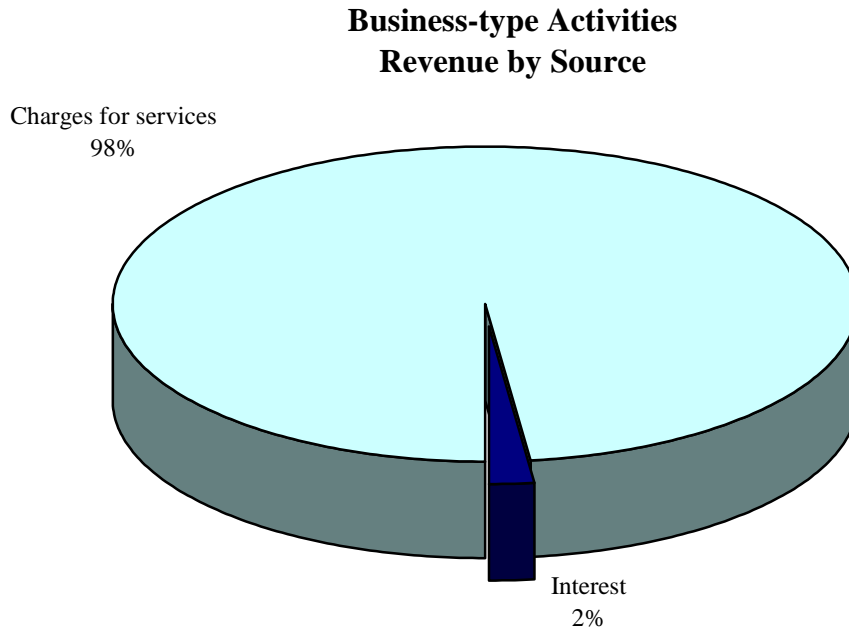
### Business-type Activities:

For the year ended June 30, 2006, revenues for business-type activities were \$622,250. Charges for services were 98 percent of gross revenues, or \$609,699.

### Business-type Activities Program Revenues and Expenses



## MANAGEMENT'S DISCUSSION AND ANALYSIS



The City has two business type-activities: the sewer and water systems. In total, these two activities generated \$609,699 in charges for services, and incurred \$524,996 in expenses. In addition, general revenues for business-type activities were \$12,551. The City's business-type activities experienced an increase in net assets of \$97,254 for the year.

### **Capital Assets and Debt Administration:**

At the end of fiscal year 2006, the City has \$9,623,636 invested, before depreciation, in a wide range of capital assets, including land, land improvements, buildings and improvements, equipment, and sewer and water distribution systems. Infrastructure assets include roads, bridges, sidewalks, storm drains, and other immovable assets.

Debt of \$135,000 related to the construction and acquisition of the above-mentioned capital assets is reported as a liability in the governmental activities in the statement of net assets.

Debt related to the sewer and water systems totaling \$2,777,000 is recorded as a liability in the business-type activities in the statement of net assets.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **The City's Funds:**

The fund financial statements provide detailed information on the most significant governmental funds – not the City as a whole. The City Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for 2006 include the General Fund and City Street Fund.

The City's governmental funds reported combined fund balance of \$796,297 for this year, a decrease of \$130,675 from last year.

### **Budgetary Highlights:**

Differences between the original and final amended budgets for the General Fund and City Street Fund revenues and expenditures were relatively minor.

### **Economic Factors:**

The City continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the City is facing in upcoming years. The major sources of revenue for the City are property taxes, State-shared revenues, and charges for services. These sources have certain limitations outside of the City's control – taxable value of property in the City has remained flat, resulting in small increases in property taxes; the State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing their deficit; and the economy has restricted the City in what it can charge its customers. In comparison, certain expenses continue to rise at a rate higher than inflation (e.g., health care).

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the City's residents with the same level of service to which they have become accustomed.

### **Contacting the City's Financial Management:**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Osborn, City Manager, 111 West Mechanic Street, Yale, Michigan 48097.

## ***BASIC FINANCIAL STATEMENTS***



## STATEMENT OF NET ASSETS

June 30, 2006

	<i>Primary Government</i>			<i>Component</i>
	<i>Governmental</i>	<i>Business-type</i>		<i>Units</i>
	<i>Activities</i>	<i>Activities</i>	<i>Total</i>	
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 737,046	\$ 389,088	\$ 1,126,134	\$ 69,660
Receivables	670,818	117,308	788,126	34,007
Internal balances	10,925	(10,925)	-	-
Prepaid expenses	38,863	506	39,369	-
Restricted cash and cash equivalents	-	75,756	75,756	-
Capital assets:				
Nondepreciable capital assets	242,820	-	242,820	-
Depreciable capital assets, net	1,778,030	5,945,863	7,723,893	-
Land held for development	135,658	-	135,658	-
Total assets	<u>3,614,160</u>	<u>6,517,596</u>	<u>10,131,756</u>	<u>103,667</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	250,373	40,085	290,458	1,104
Long-term liabilities:				
Due within one year	10,000	176,000	186,000	26,460
Due in more than one year	137,311	2,603,534	2,740,845	26,930
Total liabilities	<u>397,684</u>	<u>2,819,619</u>	<u>3,217,303</u>	<u>54,494</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	2,021,508	3,168,863	5,190,371	-
Restricted for:				
Debt service	-	75,756	75,756	-
Streets	195,542	-	195,542	-
Nonexpendable cemetery principal	105,291	-	105,291	-
State construction code activities	4,480	-	4,480	-
Unrestricted	<u>889,655</u>	<u>453,358</u>	<u>1,343,013</u>	<u>49,173</u>
Total net assets	<u>\$ 3,216,476</u>	<u>\$ 3,697,977</u>	<u>\$ 6,914,453</u>	<u>\$ 49,173</u>

*The accompanying notes are an integral part of these financial statements.*

# CITY OF YALE

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

		<i>Program Revenues</i>			<i>Net (Expense) Revenue</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	
	<i>Expenses</i>				
<b>Functions/Programs</b>					
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 220,015	\$ 39,838	\$ 8,424	\$ -	\$ (171,753)
Public safety	336,431	17,217	2,197	-	(317,017)
Public works	328,630	155,561	137,924	762,893	727,748
Community and economic development	-	722	-	-	722
Recreation and culture	48,955	-	7,963	-	(40,992)
Interest on long-term debt	8,491	-	-	-	(8,491)
Total governmental activities	<u>942,522</u>	<u>213,338</u>	<u>156,508</u>	<u>762,893</u>	<u>190,217</u>
<i>Business-type activities:</i>					
Sewer	219,207	310,830	-	-	91,623
Water	305,789	298,869	-	-	(6,920)
Total business-type activities	<u>524,996</u>	<u>609,699</u>	<u>-</u>	<u>-</u>	<u>84,703</u>
Total primary government	<u>\$ 1,467,518</u>	<u>\$ 823,037</u>	<u>\$ 156,508</u>	<u>\$ 762,893</u>	<u>\$ 274,920</u>
<b>COMPONENT UNITS:</b>					
Downtown development authority	\$ 59,636	\$ -	\$ 80	\$ -	\$ (59,556)
Local development finance authority	475	-	-	-	(475)
Total component units	<u>\$ 60,111</u>	<u>\$ -</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ (60,031)</u>

continued

*The accompanying notes are an integral part of these financial statements.*

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	<i>Primary Government</i>			
	<i>Governmental</i>	<i>Business-</i>		<i>Component</i>
	<i>Activities</i>	<i>type</i>	<i>Total</i>	<i>Units</i>
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Units</u>
Changes in net assets				
Net (Expense) Revenue	\$ 190,217	\$ 84,703	\$ 274,920	\$ (60,031)
<b>General revenues:</b>				
Taxes:				
Property taxes, levied for general purpose	417,364	-	417,364	-
Property taxes, levied for police protection	60,826	-	60,826	-
Property taxes captured by component units	-	-	-	89,364
Grants and contributions not restricted to specific programs	211,887	-	211,887	-
Unrestricted investment earnings	38,504	12,551	51,055	1,878
Miscellaneous	5,573	-	5,573	-
Contributions to principal of permanent funds	7,150	-	7,150	-
Special item - Proceeds from sale of capital asset	20,017	-	20,017	-
Total general revenues, contributions, and special items	<u>761,321</u>	<u>12,551</u>	<u>773,872</u>	<u>91,242</u>
Change in net assets	951,538	97,254	1,048,792	31,211
Net assets, beginning of year	<u>2,264,938</u>	<u>3,600,723</u>	<u>5,865,661</u>	<u>17,962</u>
Net assets, end of year	<u>\$ 3,216,476</u>	<u>\$ 3,697,977</u>	<u>\$ 6,914,453</u>	<u>\$ 49,173</u>

## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2006

	<i>General Fund</i>	<i>City Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 12,241	\$ (9,227)	\$ 322,874	\$ 325,888
Taxes receivable	493,573	-	-	493,573
Accounts receivable	18,690	-	-	18,690
Accrued interest receivable	1,621	-	2,596	4,217
Due from other governmental units	68,412	58,500	20,797	147,709
Due from other funds	-	10,925	2,891	13,816
Prepaid expenditures	38,438	-	425	38,863
Total assets	<u>\$ 632,975</u>	<u>\$ 60,198</u>	<u>\$ 349,583</u>	<u>\$ 1,042,756</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and	\$ 18,617	\$ 214,124	\$ 2,395	\$ 235,136
Accrued expenses	7,095	-	1,218	8,313
Due to other governmental units	119	-	-	119
Due to other funds	-	-	2,891	2,891
Total liabilities	<u>25,831</u>	<u>214,124</u>	<u>6,504</u>	<u>246,459</u>
<b>Fund balances:</b>				
Reserved for:				
Prepaid expenditures	38,438	-	425	38,863
Nonexpendable cemetery principal	-	-	105,291	105,291
State construction code activities	4,480	-	-	4,480
Unreserved:				
General fund	564,226	-	-	564,226
Special revenue funds	-	(153,926)	237,363	83,437
Total fund balances	<u>607,144</u>	<u>(153,926)</u>	<u>343,079</u>	<u>796,297</u>
Total liabilities and fund balances	<u>\$ 632,975</u>	<u>\$ 60,198</u>	<u>\$ 349,583</u>	<u>\$ 1,042,756</u>

The accompanying notes are an integral part of these financial statements.

## RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2006

**Total fund balances for governmental funds** \$ 796,297

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	1,856,913	
Less accumulated depreciation	<u>(357,247)</u>	1,499,666

Long-term liabilities are not due and payable in the current year and  
therefore are not reported in the governmental funds:

Compensated absences payable	(12,311)
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The assets and liabilities of internal service funds are included in governmental  
activities in the statement of net assets.

<u>932,824</u>
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**Net assets of governmental activities** \$ 3,216,476

*The accompanying notes are an integral part of these financial statements.*

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	<i>General Fund</i>	<i>City Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues:</b>				
Property taxes	\$ 478,190	\$ -	\$ -	\$ 478,190
Licenses and permits	8,874	-	-	8,874
Federal grants	-	718,605	-	718,605
State grants	213,028	11,971	127,009	352,008
Contributions from other units	-	-	7,823	7,823
Charges for services	73,141	-	18,238	91,379
Fines and forfeits	8,343	-	-	8,343
Investment income and rents	35,646	68	(325)	35,389
Other revenue	13,587	44,288	22,350	80,225
Total revenues	<u>830,809</u>	<u>774,932</u>	<u>175,095</u>	<u>1,780,836</u>
<b>Expenditures:</b>				
Current				
General government	180,579	-	38,053	218,632
Public safety	341,744	-	548	342,292
Public works	183,834	8,638	78,812	271,284
Recreation and culture	50,384	-	536	50,920
Other	14,275	-	-	14,275
Capital outlay	<u>1,186</u>	<u>1,030,754</u>	<u>2,880</u>	<u>1,034,820</u>
Total expenditures	<u>772,002</u>	<u>1,039,392</u>	<u>120,829</u>	<u>1,932,223</u>
Excess (deficiency) of revenues over expenditures	<u>58,807</u>	<u>(264,460)</u>	<u>54,266</u>	<u>(151,387)</u>
<b>Other financing sources (uses):</b>				
Insurance recoveries	4,943	-	-	4,943
Transfers in	-	102,769	2,891	105,660
Transfers out	<u>(12,000)</u>	<u>-</u>	<u>(77,891)</u>	<u>(89,891)</u>
Total other financing sources and (uses)	<u>(7,057)</u>	<u>102,769</u>	<u>(75,000)</u>	<u>20,712</u>
Net change in fund balances	51,750	(161,691)	(20,734)	(130,675)
Fund balances, beginning of year	<u>555,394</u>	<u>7,765</u>	<u>363,813</u>	<u>926,972</u>
Fund balances, end of year	<u>\$ 607,144</u>	<u>\$ (153,926)</u>	<u>\$ 343,079</u>	<u>\$ 796,297</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF YALE

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## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

**Net change in fund balances - total governmental funds** \$ (130,675)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,033,634	
Less depreciation expense	<u>(16,282)</u>	1,017,352

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	5,396
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The net revenue (expense) of the internal service fund is reported with governmental activities.	<u>59,465</u>
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<b>Change in net assets of governmental activities</b>	<u><u>\$ 951,538</u></u>
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*The accompanying notes are an integral part of these financial statements.*

## PROPRIETARY FUNDS STATEMENT OF NET ASSETS

June 30, 2006

	<i>Business-type Activities</i>			<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	<i>Internal Service Funds</i>
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash, cash equivalents and investments	\$ 218,062	\$ 171,026	\$ 389,088	\$ 411,158
Accounts receivable	58,207	53,132	111,339	-
Accrued interest receivable	3,153	2,816	5,969	6,629
Prepaid expenses	253	253	506	-
Total current assets	279,675	227,227	506,902	417,787
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	-	75,756	75,756	-
Capital assets:				
Depreciable capital assets, net	3,015,555	2,930,308	5,945,863	521,184
Land held for development	-	-	-	135,658
Total noncurrent assets	3,015,555	3,006,064	6,021,619	656,842
Total assets	3,295,230	3,233,291	6,528,521	1,074,629
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts payable	10,307	2,586	12,893	4,868
Accrued expenses	665	696	1,361	334
Due to other funds	3,920	7,005	10,925	-
Accrued interest payable	5,575	20,256	25,831	1,603
Current portion of long-term debt	130,000	46,000	176,000	10,000
Total current liabilities	150,467	76,543	227,010	16,805
<b>Noncurrent liabilities:</b>				
Compensated absences payable	992	1,542	2,534	-
Long-term debt	985,000	1,616,000	2,601,000	125,000
Total noncurrent liabilities	985,992	1,617,542	2,603,534	125,000
Total liabilities	1,136,459	1,694,085	2,830,544	141,805
<b>Net assets:</b>				
Invested in capital assets, net of related debt	1,900,555	1,268,308	3,168,863	521,842
Restricted for:				
Debt service	-	75,756	75,756	-
Unrestricted	258,216	195,142	453,358	410,982
Total net assets	\$ 2,158,771	\$ 1,539,206	\$ 3,697,977	\$ 932,824

The accompanying notes are an integral part of these financial statements.



*PROPRIETARY FUNDS*

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS**

Year Ended June 30, 2006

	<i>Business-type Activities</i>			<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	<i>Internal Service Funds</i>
<b>Operating revenues:</b>				
Charges for services	\$ 305,307	\$ 292,533	\$ 597,840	\$ 20,650
Penalties	5,523	6,176	11,699	-
Equipment rental	-	-	-	111,995
Other	-	160	160	1,125
Total operating revenues	<u>310,830</u>	<u>298,869</u>	<u>609,699</u>	<u>133,770</u>
<b>Operating expenses:</b>				
Personnel	41,074	57,631	98,705	13,267
Fringe benefits	10,103	18,793	28,896	4,467
Supplies	7,496	17,093	24,589	9,753
Contracted services	14,074	10,523	24,597	1,287
Telephone	558	-	558	-
Mileage	221	709	930	-
Dues and memberships	70	225	295	-
Education and training	200	900	1,100	-
Printing and publishing	-	1,117	1,117	-
Insurance	401	401	802	-
Utilities	7,608	11,068	18,676	-
Repair and maintenance	7,246	11,644	18,890	15,147
Equipment rental	20,093	25,866	45,959	739
Other services and supplies	28	200	228	10,312
Depreciation	<u>87,110</u>	<u>68,060</u>	<u>155,170</u>	<u>46,080</u>
Total operating expenses	<u>196,282</u>	<u>224,230</u>	<u>420,512</u>	<u>101,052</u>
Operating income (loss)	<u>114,548</u>	<u>74,639</u>	<u>189,187</u>	<u>32,718</u>
<b>Non-operating revenues (expenses):</b>				
Interest income	3,807	8,744	12,551	10,065
Rental income	-	-	-	13,752
Proceeds from sale of land held for development	-	-	-	20,017
Insurance recoveries	-	-	-	7,173
Interest expense	<u>(22,925)</u>	<u>(81,559)</u>	<u>(104,484)</u>	<u>(8,491)</u>
Total non-operating revenues (expenses)	<u>(19,118)</u>	<u>(72,815)</u>	<u>(91,933)</u>	<u>42,516</u>
Net income (loss) before operating transfers	<u>95,430</u>	<u>1,824</u>	<u>97,254</u>	<u>75,234</u>

continued

*The accompanying notes are an integral part of these financial statements.*

*PROPRIETARY FUNDS*

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS, CONTINUED**

Year Ended June 30, 2006

	<i>Business-type Activities</i>			<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	<i>Internal Service Funds</i>
<b>Operating transfers:</b>				
Transfer to other funds	\$ -	\$ -	\$ -	\$ (15,769)
Total operating transfers	-	-	-	(15,769)
Net income (loss)	95,430	1,824	97,254	59,465
Net assets, beginning of year	2,063,341	1,537,382	3,600,723	873,359
Net assets, end of year	<u>\$ 2,158,771</u>	<u>\$ 1,539,206</u>	<u>\$ 3,697,977</u>	<u>\$ 932,824</u>

*The accompanying notes are an integral part of these financial statements.*

# CITY OF YALE

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

Year Ended June 30, 2006

	<i>Business-type Activities</i>			<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	<i>Internal Service Funds</i>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 308,841	\$ 292,319	\$ 601,160	\$ 20,650
Cash received from interfund services	-	-	-	111,995
Other cash receipts (payments)	(3,153)	(2,816)	(5,969)	(2,821)
Cash payments to employees	(40,429)	(57,632)	(98,061)	(12,933)
Cash payments to suppliers for goods and services	(59,200)	(124,073)	(183,273)	(26,608)
Net cash provided by operating activities	206,059	107,798	313,857	90,283
<b>Cash flows from non-capital financing activities:</b>				
Operating transfers out	-	-	-	(15,769)
Net cash used by capital financing activities	-	-	-	(15,769)
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(161,746)	(78,641)	(240,387)	(49,470)
Proceeds from sale of land held for development	-	-	-	20,017
Proceeds from insurance recoveries	-	-	-	7,173
Principal payments	(125,000)	(44,000)	(169,000)	(10,000)
Interest paid	(22,925)	(81,559)	(104,484)	(8,491)
Net cash used by capital and related financing activities	(309,671)	(204,200)	(513,871)	(40,771)
<b>Cash flows from investing activities:</b>				
Interest received	3,807	8,744	12,551	10,065
Rental income	-	-	-	13,752
Net cash provided by investing activities	3,807	8,744	12,551	23,817
Net increase (decrease) in cash and cash equivalents	(99,805)	(87,658)	(187,463)	57,560
Cash and cash equivalents, beginning of year	317,867	334,440	652,307	353,598
Cash and cash equivalents, end of year	\$ 218,062	\$ 246,782	\$ 464,844	\$ 411,158

continued

The accompanying notes are an integral part of these financial statements.

## *PROPRIETARY FUNDS* **STATEMENT OF CASH FLOWS, CONTINUED**

Year Ended June 30, 2006

	<i>Business-type Activities</i>			<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	<i>Internal Service Funds</i>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 114,548	\$ 74,639	\$ 189,187	\$ 32,718
Adjustments:				
Depreciation	87,110	68,060	155,170	46,080
Loss on sale of capital assets	-	-	-	10,312
Change in assets and liabilities:				
Land held for development	-	-	-	2,683
Accounts receivable	(1,989)	(6,550)	(8,539)	-
Accrued interest receivable	(3,153)	(2,816)	(5,969)	(6,629)
Prepaid expenses	44	44	88	-
Accounts payable	5,584	(32,047)	(26,463)	3,182
Accrued expenses	171	(122)	49	334
Due to other funds	3,920	7,005	10,925	-
Accrued interest payable	(650)	(536)	(1,186)	1,603
Compensated absences payable	474	121	595	-
Net cash provided by operating activities	<u>\$ 206,059</u>	<u>\$ 107,798</u>	<u>\$ 313,857</u>	<u>\$ 90,283</u>

*The accompanying notes are an integral part of these financial statements.*

*FIDUCIARY FUND*  
**STATEMENT OF NET ASSETS**  
June 30, 2006

	<i>Agency Funds</i>
	<u>                    </u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 530,323
Total assets	<u>530,323</u>
 <b>Liabilities:</b>	
Accounts payable and accrued expenses	498,091
Due to other governmental units	<u>32,232</u>
Total liabilities	<u>530,323</u>
 <b>Net Assets:</b>	
Unrestricted	<u>-</u>
Total net assets	<u><u>\$ -</u></u>

*The accompanying notes are an integral part of these financial statements.*

## ***NOTES TO FINANCIAL STATEMENTS***

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The City of Yale, Michigan, established in 1905, is a public corporation created under the Constitution and statutes of the State of Michigan. Located in St. Clair County, the City of Yale covers an area of approximately one square mile and is one of seven cities in St. Clair County, Michigan, each of which is a separate governmental entity. The City operates under an elected City Council which consists of a Mayor, Clerk, Treasurer, and six Council members and provides services in many areas including law enforcement, fire protection, ambulance services, water, sewer, solid waste disposal, streets, and parks and recreation to approximately 2,100 residents.

The accounting policies of the City of Yale conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City.

**Discretely Presented Component Units** - The component units' columns in the government-wide financial statements include the financial data of the City's two component units. These units are reported in a separate column to emphasize that they are legally separate from the City. The component units are described as follows:

***Downtown Development Authority*** - The members of the governing board of the Downtown Development Authority are appointed by the City Council. The issuance of bonded debt and levying of taxes by the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

***Local Development Finance Authority*** - The members of the governing board of the Local Development Finance Authority (LDFA) are appointed by the City Council. The issuance of bonded debt and levying of taxes by the LDFA must be approved by the City Council. The City also has the ability to significantly influence operations of the LDFA.

Separate financial statements for the component units are not prepared.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### *Government-wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City’s net assets resulting from current year activities.



## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

### *Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The City reports the following major governmental funds:

**General Fund** – The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except for those required to be accounted for in another fund.

**City Street Fund** – The City Street Fund is used to account for the maintenance and construction of the City's street system.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

The City reports the following major enterprise funds:

**Sewer Fund** – The Sewer Fund is used to account for the revenues and expenses for the operation of a sewer system.

**Water Fund** – The Water Fund is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

### **Assets, Liabilities and Equity:**

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

**Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Inventories and Prepaid Items** – Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$2,500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if any were acquired after July 1, 2003. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Vehicles	5-10 years
Furniture and other equipment	4-30 years
Distribution systems - water and sewer	5-50 years
Infrastructure - streets	30 years

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

**Compensated Absences** – It is the City's policy to permit employees to accumulate earned but unused sick or vacation days depending on type of employee. Under the police union contract, employees with 5 or more years of service at separation will be paid 50% of the first 500 hours of accumulated sick days and 25% of the remainder, up to 980 hours. Other employees not covered under any specific contract with 1 or more years of service at separation will be paid for accumulated vacation days at their current rate of pay. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

### **Property Taxes:**

Property taxes attach as an enforceable lien on property as of the date they are levied. City and community college taxes are levied and due July 1 and become delinquent after September 15. County, school, and library taxes are levied and due December 1 and become delinquent after February 14. City property tax revenues are recognized in the fiscal year for which the taxes are levied to the extent that they result in current receivables.

The 2005 taxable valuation of the City totaled \$35,944,304, on which ad valorem taxes levied consisted of 12.6255 mills for the City's operating purposes and 1.9514 mills for police protection.

The delinquent real property taxes of the City are purchased by St. Clair County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

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### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### Budgetary Information:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by a City Council resolution.
4. The City Manager is authorized to transfer budgeted amounts between line items within an activity. However, any revision that alters the total expenditures of any fund must be approved by the City.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

#### Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	<i>Final Budget</i>	<i>Actual</i>	<i>Actual Over Final Budget</i>
General Fund			
Public safety	\$ 337,730	\$ 341,744	\$ 4,014
Recreation and culture	43,315	50,384	7,069
City Street Fund	955,350	1,039,392	84,042

#### State Construction Code Act:

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at July 1, 2005	\$ -
Current year building permit revenue	8,874
Related expenses:	
Direct costs	<u>4,394</u>
Cumulative surplus at June 30, 2006	<u>\$ 4,480</u>

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the City Council is in accordance with Public Act 196 of 1997. The City's deposits and investments have been made in accordance with statutory authority.

The City's deposits and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$588,944 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$200,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

#### **Custodial Credit Risk of Investments:**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or an agent in the City's name:

<u>Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
U.S. government and agency securities	\$ 390,000	Counterparty

#### **Interest Rate Risk:**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a maximum 270 day maturity. At year end, the average maturities of investments are as follows:

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. government and agency securities:		
Federal Home Loan Mortgage Corporation	\$ 220,731	12 years
Federal Home Loan Bank	96,438	12 years
Federal National Mortgage Association	47,750	12 years

### Credit Risk:

As of year end, the credit quality ratings of debt securities are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. government and agency securities	\$ 364,919	AAA	Moody

### Concentration of Credit Risk:

The City places no limit on the amount the City may invest in any one issuer. At year end, the City had more than 5% of its investments in the following:

<u>Investment</u>	<u>Fair Value</u>	<u>Concentration</u>
U.S. government and agency securities:		
Federal Home Loan Mortgage Corporation	\$ 220,731	60%
Federal Home Loan Bank	96,438	26%
Federal National Mortgage Association	47,750	14%

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## NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

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The ordinance authorizing issuance of the 2001 Water Supply System Revenue Bonds required that specific accounts be established and monies deposited as follows:

***Receiving Account*** - All receipts are initially deposited into this account.

***Operation and Maintenance Account*** - Quarterly transfers are to be made to cover upcoming operating expenses.

***Bond and Interest Redemption Account*** - Quarterly transfers are to be made equal to 1/2 of the next interest payment due plus 1/4 of the next principal payment due.

***Bond Reserve Account*** – Excess funds of up to \$2,750 per quarter are to be transferred to this account until \$111,000 is accumulated.

# CITY OF YALE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

As of June 30, 2006, the City has set aside sufficient amounts as follows:

	<u>Water</u>
Restricted cash and cash equivalents:	
Bond and interest redemption account	\$ 31,756
Bond reserve	<u>44,000</u>
	<u>\$ 75,756</u>

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### NOTE 5: CAPITAL ASSETS

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Capital assets activity of the City's governmental and business-type activities was as follows:

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2006</u>
<b>Governmental activities:</b>				
Nondepreciable capital assets				
Land	\$ 242,820	\$ -	\$ -	\$ 242,820
Depreciable capital assets				
Buildings and improvements	565,096	-	-	565,096
Furniture and equipment	810,683	23,561	(67,000)	767,244
Infrastructure	21,985	1,030,754	-	1,052,739
Land improvements	13,718	-	-	13,718
Site improvements	-	2,880	-	2,880
Vehicles	137,600	25,910	(57,512)	105,998
Total depreciable capital assets	1,549,082	1,083,105	(124,512)	2,507,675
Accumulated depreciation	<u>(781,482)</u>	<u>(62,362)</u>	<u>114,199</u>	<u>(729,645)</u>
Depreciable capital assets, net	<u>767,600</u>	<u>1,020,743</u>	<u>(10,313)</u>	<u>1,778,030</u>
Governmental activities, capital assets, net	<u>\$ 1,010,420</u>	<u>\$ 1,020,743</u>	<u>\$ (10,313)</u>	<u>\$ 2,020,850</u>

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

June 30, 2006

	<i>July 1, 2005</i>	<i>Additions</i>	<i>Retirements</i>	<i>June 30, 2006</i>
<b>Business-type activities:</b>				
Depreciable capital assets				
Equipment	\$ 222,923	\$ 17,708	\$ -	\$ 240,631
Sewer system	3,486,130	144,040	-	3,630,170
Water system	3,166,521	78,639	-	3,245,160
Total depreciable capital assets	6,875,574	240,387	-	7,115,961
Accumulated depreciation	(1,014,928)	(155,170)	-	(1,170,098)
Depreciable capital assets, net	5,860,646	85,217	-	5,945,863
Business-type activities, capital assets, net	<u>\$ 5,860,646</u>	<u>\$ 85,217</u>	<u>\$ -</u>	<u>\$ 5,945,863</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 7,169
Public works	47,488
Recreation and culture	7,705
Total governmental activities	<u>\$ 62,362</u>
<b>Business-type activities:</b>	
Sewer	\$ 87,110
Water	68,060
Total business-type activities	<u>\$ 155,170</u>

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**NOTE 6: DEFERRED REVENUE**

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Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At year end, the City had no deferred revenue.

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**NOTE 7: LONG-TERM DEBT**

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The City may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences.



# CITY OF YALE

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

Long-term liabilities at June 30, 2006 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Payments</u>	<u>Original Issue Amount</u>	<u>Balance at Year-End</u>
<b><u>Governmental Activities</u></b>					
<b><u>Agreements:</u></b>					
Purchase contract - Fire truck	10/1/06-10/1/16	4.75%	\$10,000-17,500	\$185,000	\$135,000
<b><u>Business-type Activities</u></b>					
<b><u>General Obligation Bonds:</u></b>					
1993 Series - County of St. Clair Proj 5086-01	10/1/06-10/1/13	2.00%	130,000-150,000	2,486,552	1,115,000
<b><u>Revenue Bonds:</u></b>					
2002 Series - Water Supply System Revenue Bond	10/1/06-10/1/40	4.875%	20,000-90,000	1,857,000	1,706,000
<b><u>Component Units</u></b>					
<b><u>Agreements:</u></b>					
Contract payable - Repair work	12/30/06-12/30/07	0.00%	5,000	25,000	10,000
Note payable - Downtown improvements	6/3/06-6/3/08	2.23%	21,460-21,930	105,000	43,390
Loan payable	12/5/05	1.90%	5,300	5,300	-

The following is a summary of long-term liabilities transactions for the year ended June 30, 2006:

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2006</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
<b>Agreements:</b>					
Purchase contract - Fire truck	\$ 145,000	\$ -	\$ (10,000)	\$ 135,000	\$ 10,000
Compensated Absences	17,707	-	(5,396)	12,311	-
Total governmental activities					
- long-term liabilities	<u>\$ 162,707</u>	<u>\$ -</u>	<u>\$ (15,396)</u>	<u>\$ 147,311</u>	<u>\$ 10,000</u>
<b>Business-type activities:</b>					
<b>General Obligation Bonds:</b>					
1993 Issue	\$ 1,240,000	\$ -	\$ (125,000)	\$ 1,115,000	\$ 130,000
<b>Revenue Bonds:</b>					
2002 Issue	1,706,000	-	(44,000)	1,662,000	46,000
Compensated Absences	1,939	595	-	2,534	-
Total business-type activities					
- long-term liabilities	<u>\$ 2,947,939</u>	<u>\$ 595</u>	<u>\$ (169,000)</u>	<u>\$ 2,779,534</u>	<u>\$ 176,000</u>

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

	<i>July 1, 2005</i>	<i>Additions</i>	<i>Retirements</i>	<i>June 30, 2006</i>	<i>Due Within One Year</i>
<b>Component units:</b>					
Agreements					
Contract payable	\$ 15,000	\$ -	\$ (5,000)	\$ 10,000	\$ 5,000
Note payable	64,382	-	(20,992)	43,390	21,460
Loan payable	<u>5,300</u>	<u>-</u>	<u>(5,300)</u>	<u>-</u>	<u>-</u>
Total component units					
- long-term liabilities	<u>\$ 84,682</u>	<u>\$ -</u>	<u>\$ (31,292)</u>	<u>\$ 53,390</u>	<u>\$ 26,460</u>

Annual debt service requirements to maturity for the above long-term liabilities are as follows:

<i>Year Ended</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
<i>June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 10,000	\$ 6,175	\$ 16,175	\$ 176,000	\$ 100,901	\$ 276,901
2008	12,500	5,641	18,141	178,000	96,010	274,010
2009	12,500	5,047	17,547	185,000	90,971	275,971
2010	12,500	4,453	16,953	160,000	86,515	246,515
2011	12,500	3,859	16,359	162,000	82,691	244,691
2012-2016	75,000	9,381	84,381	570,000	357,719	927,719
2017-2021	-	-	-	159,000	309,440	468,440
2022-2026	-	-	-	201,000	265,711	466,711
2027-2031	-	-	-	254,000	210,600	464,600
2032-2036	-	-	-	322,000	140,644	462,644
2037-2041	<u>-</u>	<u>-</u>	<u>-</u>	<u>410,000</u>	<u>51,920</u>	<u>461,920</u>
	<u>\$ 135,000</u>	<u>\$ 34,556</u>	<u>\$ 169,556</u>	<u>\$ 2,777,000</u>	<u>\$ 1,793,122</u>	<u>\$ 4,570,122</u>

<i>Year Ended</i>	<i>Component Units</i>		
<i>June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 26,460	\$ 968	\$ 27,428
2008	<u>26,930</u>	<u>489</u>	<u>27,419</u>
	<u>\$ 53,390</u>	<u>\$ 1,457</u>	<u>\$ 54,847</u>

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

### NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's primary government and component units in the aggregate are as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Component Units</i>
<b>Receivables</b>			
Property taxes	\$ 493,573	\$ -	\$ 34,007
Accounts	18,690	111,339	-
Accrued interest	10,846	5,969	-
Intergovernmental	147,709	-	-
Total receivables	<u>\$ 670,818</u>	<u>\$ 117,308</u>	<u>\$ 34,007</u>
<b>Accounts payable and accrued expenses</b>			
Accounts	\$ 240,004	\$ 12,893	\$ 1,104
Payroll and related liabilities	8,647	1,361	-
Intergovernmental	119	-	-
Accrued interest	1,603	25,831	-
Total accounts payable and accrued expenses	<u>\$ 250,373</u>	<u>\$ 40,085</u>	<u>\$ 1,104</u>

### NOTE 9: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at June 30, 2006 is as follows:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
City Street Fund	Sewer Fund	\$ 3,920
City Street Fund	Water Fund	7,005
Cemetery Perpetual Care Fund	Cemetery Operating Fund	2,891
		<u>\$ 13,816</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>	<i>Amount</i>
General Fund	City Street Fund	\$ 12,000
Cemetery Operating Fund	Cemetery Perpetual Care Fund	2,891
Major Street Fund	City Street Fund	75,000
Economic Development Fund	City Street Fund	15,769
		<u>\$ 105,660</u>

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

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### NOTE 10: RISK MANAGEMENT

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The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation).

The City has purchased commercial insurance for risks to cover these losses. The City also carries commercial insurance for other risks of loss, including employee health insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

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### NOTE 11: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### **Pension Plan:**

The City does not have an employee pension plan.

#### **Post Employment Benefits:**

The City currently has no requirement to pay employee post employment benefits.

#### **Deferred Compensation Plan:**

The employees of the City are allowed to contribute on a voluntary basis to a deferred compensation plan through payroll deductions. The plan is made available to all eligible employees by authority of Section 457 of the Internal Revenue Code (IRC), and is administered by ICMA Retirement Corporation. Employees may set aside and invest portions of their current income to meet their financial requirements and supplement their retirement and social security benefits.

In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City has placed all deferred compensation plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the City's financial statements.

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### NOTE 12: FUND EQUITY

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Specific reservations on fund equity include:

***Reserved for prepaid expenditures*** – This reserve was created to indicate that portion of fund balance represented by prepaid expenditures is not available for appropriation.

***Reserved for nonexpendable cemetery principal*** – This reserve was created to indicate that portion of fund balance representing the nonexpendable principal portion required to be retained in perpetuity for cemetery care.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

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### NOTE 13: COMPONENT UNITS REPORTING

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A condensed statement of net assets for each of the discretely presented component units is shown below. The statement of activities is presented in the government-wide financial statements.

	<i>Downtown Development Authority</i>	<i>Local Development Finance Authority</i>	<i>Total</i>
<b>Assets:</b>			
Current and other assets	\$ 63,949	\$ 39,718	\$ 103,667
Capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>63,949</u>	<u>39,718</u>	<u>103,667</u>
<b>Liabilities:</b>			
Long-term liabilities	43,390	10,000	53,390
Other liabilities	<u>974</u>	<u>130</u>	<u>1,104</u>
Total liabilities	<u>44,364</u>	<u>10,130</u>	<u>54,494</u>
<b>Net assets:</b>			
Unrestricted	<u>\$ 19,585</u>	<u>\$ 29,588</u>	<u>\$ 49,173</u>

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### NOTE 14: DEFICIT FUND BALANCE

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A deficit fund balance of \$153,926 exists in the City Street Fund. The deficit results from expenditures incurred for various street projects.

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### NOTE 15: FEDERAL GRANTS

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The City received a federal grant in the amount of \$384,074 passed through the Michigan Department of Transportation (MDOT) for a contracted project in its City Street Fund. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT. Contracted projects are not subject to single audit requirements.

***REQUIRED SUPPLEMENTAL INFORMATION***

# CITY OF YALE

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 482,120	\$ 482,120	\$ 478,190	\$ (3,930)
Licenses and permits	7,380	7,380	8,874	1,494
State grants	215,100	215,100	213,028	(2,072)
Charges for services	73,440	73,440	73,141	(299)
Fines and forfeits	5,500	5,500	8,343	2,843
Interest and rents	16,300	16,300	35,646	19,346
Other revenue	4,000	4,000	13,587	9,587
Total revenues	803,840	803,840	830,809	26,969
<b>Expenditures:</b>				
Current				
General government	187,483	187,483	180,579	(6,904)
Public safety	337,730	337,730	341,744	4,014
Public works	197,645	197,645	183,834	(13,811)
Recreation and culture	41,815	43,315	50,384	7,069
Other	14,700	14,700	14,275	(425)
Capital outlay	1,186	1,186	1,186	-
Total expenditures	780,559	782,059	772,002	(10,057)
Excess (deficiency) of revenues over expenditures	23,281	21,781	58,807	37,026
<b>Other financing sources (uses):</b>				
Insurance recoveries	-	-	4,943	4,943
Transfers in	14,000	14,000	-	(14,000)
Transfers out	(12,000)	(12,000)	(12,000)	-
Total other financing sources (uses)	2,000	2,000	(7,057)	(9,057)
Net change in fund balance	25,281	23,781	51,750	27,969
Fund balance, beginning of year	555,394	555,394	555,394	-
Fund balance, end of year	\$ 580,675	\$ 579,175	\$ 607,144	\$ 27,969

# CITY OF YALE

## SPECIAL REVENUE FUND – CITY STREET FUND BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
<b>Revenues:</b>				
Federal grants	\$ 779,810	\$ 779,810	\$ 718,605	\$ (61,205)
State grants	5,600	5,600	11,971	6,371
Interest and rents	200	200	68	(132)
Other revenue	9,750	9,750	44,288	34,538
Total revenues	795,360	795,360	774,932	(20,428)
<b>Expenditures:</b>				
Current				
Public works	-	-	8,638	8,638
Capital outlay	955,350	955,350	1,030,754	75,404
Total expenditures	955,350	955,350	1,039,392	84,042
Excess (deficiency) of revenues over expenditures	(159,990)	(159,990)	(264,460)	(104,470)
<b>Other financing sources:</b>				
Transfers in	209,979	209,979	102,769	(107,210)
Total other financing sources	209,979	209,979	102,769	(107,210)
Net change in fund balance	49,989	49,989	(161,691)	(211,680)
Fund balance, beginning of year	7,765	7,765	7,765	-
Fund balance, end of year	\$ 57,754	\$ 57,754	\$ (153,926)	\$ (211,680)



***OTHER SUPPLEMENTAL INFORMATION***

# CITY OF YALE

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2006

**Revenues:**

***Current taxes:***

Property taxes	\$ 455,658
Trailer tax	291
Penalties and interest on taxes	5,068
Administration fees	<u>17,173</u>
	<u>478,190</u>

***Licenses and permits:***

Nonbusiness licenses and permits	<u>8,874</u>
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***State grants:***

Liquor license fees	1,141
State revenue sharing - sales tax	<u>211,887</u>
	<u>213,028</u>

***Charges for services:***

Refuse collection fees	72,419
Zoning permits and lot splits	<u>722</u>
	<u>73,141</u>

***Fines and forfeitures:***

Police fines and reports	<u>8,343</u>
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***Interest and rents:***

Interest	28,696
Rents	<u>6,950</u>
	<u>35,646</u>

***Other Revenue:***

Contributions and donations	8,214
Refunds and rebates	4,014
Other	<u>1,359</u>
	<u>13,587</u>

Total revenues	<u>830,809</u>
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**Other Financing Sources:**

Insurance recoveries	<u>4,943</u>
	<u>4,943</u>

Total revenues and other financing sources	<u><u>\$ 835,752</u></u>
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# CITY OF YALE

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended June 30, 2006

**General Government:**

*Council:*

Personnel	\$ 9,995
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*Manager:*

Personnel	58,146
Fringe benefits	18,285
Supplies	85
Mileage	353
Education and training	24
Equipment rental	120
Other	50
	<u>77,063</u>

*Clerk:*

Personnel	6,304
Fringe benefits	481
Supplies	97
Mileage	325
Dues and memberships	25
Other	114
	<u>7,346</u>

*Audit:*

Contracted services	<u>2,774</u>
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*Board of Review:*

Contracted services	<u>789</u>
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*Treasurer:*

Personnel	7,883
Fringe benefits	620
Supplies	818
Dues and memberships	35
Education and training	228
Repairs and maintenance	300
Other	30
	<u>9,914</u>

*Assessor:*

Personnel	135
Fringe benefits	10
Supplies	697
Contracted services	9,641
Other	50
	<u>10,533</u>

# CITY OF YALE

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended June 30, 2006

**General Government (continued):**

*Elections:*

Supplies	\$ 3,456
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*Buildings and Grounds:*

Personnel	7,359
Fringe benefits	3,032
Supplies	4,834
Contracted services	172
Telephone	2,154
Mileage	484
Dues and memberships	1,618
Education and training	410
Printing and publications	1,062
Utilities	10,779
Repairs and maintenance	9,606
Equipment rental	907
Other	2,971
	<u>45,388</u>

*Attorney:*

Contracted services	<u>12,075</u>
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*Decorations:*

Personnel	844
Fringe benefits	364
Equipment rental	38
	<u>1,246</u>

Total general government	<u>180,579</u>
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**Public Safety:**

*Police:*

Personnel	193,739
Fringe benefits	46,189
Supplies	10,929
Contracted services	8,889
Telephone	3,746
Mileage	518
Dues and memberships	625
Education and training	379
Printing and publications	844
Insurance	23,370
Repairs and maintenance	7,903
Equipment rental	4,440
Other	515
	<u>302,086</u>

# CITY OF YALE

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended June 30, 2006

***Public Safety (continued):***

*Fire:*

Personnel	\$ 5,299
Fringe benefits	409
Supplies	1,311
Telephone	801
Dues and memberships	50
Education and training	912
Insurance	12,144
Utilities	4,954
Repairs and maintenance	4,130
Other	392
	<u>30,402</u>

*Building Inspection Department:*

Contracted services	<u>4,394</u>
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*Crossing Guard:*

Contracted services	<u>4,862</u>
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Total public safety	<u>341,744</u>
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***Public Works:***

*Department of Public Works:*

Personnel	31,803
Fringe benefits	13,289
Contracted services	2,313
Telephone	926
Mileage	110
Education and training	280
Insurance	7,671
Utilities	4,987
Repairs and maintenance	1,197
Equipment rental	14,284
Other	139
	<u>76,999</u>

*Street Lighting:*

Utilities	<u>38,533</u>
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*Refuse:*

Supplies	1,363
Contracted services	<u>66,939</u>
	<u>68,302</u>

Total public works	<u>183,834</u>
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# CITY OF YALE

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended June 30, 2006

#### ***Recreation and Culture:***

##### *Parks:*

Personnel	\$ 12,909
Fringe benefits	2,349
Supplies	1,747
Contracted services	1,280
Insurance	2,708
Utilities	1,196
Repairs and maintenance	3,705
Equipment rental	10,482
Other	767
	<u>37,143</u>

##### *Library:*

Personnel	581
Fringe benefits	367
Supplies	899
Telephone	531
Insurance	2,230
Utilities	5,018
Repairs and maintenance	3,282
Equipment rental	333
	<u>13,241</u>

Total recreation and culture	<u>50,384</u>
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#### ***Other:***

Insurance and bonds	<u>14,275</u>
Total other	<u>14,275</u>

#### ***Capital Outlay:***

General government	<u>1,186</u>
Total capital outlay	<u>1,186</u>

Total expenditures	<u>772,002</u>
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#### **Other Financing Uses:**

Transfers to other funds	<u>12,000</u>
Total expenditures and other financing uses	<u>\$ 784,002</u>

# CITY OF YALE

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## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

June 30, 2006

	<i>Special Revenue Funds</i>			
	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Cemetery Operating Fund</i>	<i>Park Improvement Fund</i>
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 57,347	\$ 117,550	\$ 16,136	\$ 24,597
Accrued interest receivable	907	897	-	-
Due from other governmental units	14,760	6,037	-	-
Due from other funds	-	-	-	-
Prepaid expenditures	-	-	425	-
Total assets	<u>\$ 73,014</u>	<u>\$ 124,484</u>	<u>\$ 16,561</u>	<u>\$ 24,597</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 649	\$ 617	\$ 1,129	\$ -
Accrued expenses	558	132	528	-
Due to other funds	-	-	2,891	-
Total liabilities	<u>1,207</u>	<u>749</u>	<u>4,548</u>	<u>-</u>
<b>Fund balances:</b>				
Reserved for:				
Prepaid expenditures	-	-	425	-
Nonexpendable cemetery principal	-	-	-	-
Unreserved:				
Special revenue funds	<u>71,807</u>	<u>123,735</u>	<u>11,588</u>	<u>24,597</u>
Total fund balances	<u>71,807</u>	<u>123,735</u>	<u>12,013</u>	<u>24,597</u>
Total liabilities and fund balances	<u>\$ 73,014</u>	<u>\$ 124,484</u>	<u>\$ 16,561</u>	<u>\$ 24,597</u>

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<i>Special Revenue Funds</i>			<i>Permanent Fund</i>	
<i>Criminal Justice Training Fund</i>	<i>Drug Asset Forfeiture Fund</i>	<i>Library Fund</i>	<i>Cemetery Perpetual Care Fund</i>	<i>Total Nonmajor Governmental Funds</i>
\$ 1,245	\$ 68	\$ 4,323	\$ 101,608	\$ 322,874
-	-	-	792	2,596
-	-	-	-	20,797
-	-	-	2,891	2,891
-	-	-	-	425
<u>\$ 1,245</u>	<u>\$ 68</u>	<u>\$ 4,323</u>	<u>\$ 105,291</u>	<u>\$ 349,583</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,395
-	-	-	-	1,218
-	-	-	-	2,891
-	-	-	-	6,504
-	-	-	-	425
-	-	-	105,291	105,291
<u>1,245</u>	<u>68</u>	<u>4,323</u>	<u>-</u>	<u>237,363</u>
<u>1,245</u>	<u>68</u>	<u>4,323</u>	<u>105,291</u>	<u>343,079</u>
<u>\$ 1,245</u>	<u>\$ 68</u>	<u>\$ 4,323</u>	<u>\$ 105,291</u>	<u>\$ 349,583</u>



# CITY OF YALE

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	<i>Special Revenue Funds</i>			
	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Cemetery Operating Fund</i>	<i>Park Improvement Fund</i>
<b>Revenues:</b>				
State grants	\$ 89,391	\$ 36,562	\$ -	\$ -
Contributions from other units	-	-	-	7,823
Charges for services	-	-	18,238	-
Interest and rents	(1,331)	3,053	311	685
Other revenue	-	-	15,060	-
Total revenues	<u>88,060</u>	<u>39,615</u>	<u>33,609</u>	<u>8,508</u>
<b>Expenditures:</b>				
Current				
General government	-	-	38,049	-
Public safety	-	-	-	-
Public works	56,958	21,854	-	-
Recreation and culture	-	-	-	251
Capital outlay	-	-	-	2,880
Total expenditures	<u>56,958</u>	<u>21,854</u>	<u>38,049</u>	<u>3,131</u>
Excess (deficiency) of revenues over expenditures	<u>31,102</u>	<u>17,761</u>	<u>(4,440)</u>	<u>5,377</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	<u>(75,000)</u>	<u>-</u>	<u>(2,891)</u>	<u>-</u>
Total other financing sources (uses)	<u>(75,000)</u>	<u>-</u>	<u>(2,891)</u>	<u>-</u>
Net change in fund balance	(43,898)	17,761	(7,331)	5,377
Fund balances, beginning of year	<u>115,705</u>	<u>105,974</u>	<u>19,344</u>	<u>19,220</u>
Fund balances, end of year	<u>\$ 71,807</u>	<u>\$ 123,735</u>	<u>\$ 12,013</u>	<u>\$ 24,597</u>

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<i>Special Revenue Funds</i>			<i>Permanent Fund</i>	
<i>Criminal Justice Training Fund</i>	<i>Drug Asset Forfeiture Fund</i>	<i>Library Fund</i>	<i>Cemetery Perpetual Care Fund</i>	<i>Total Nonmajor Governmental Funds</i>
\$ 1,056	\$ -	\$ -	\$ -	\$ 127,009
-	-	-	-	7,823
-	-	-	-	18,238
24	2	132	(3,201)	(325)
-	-	140	7,150	22,350
<u>1,080</u>	<u>2</u>	<u>272</u>	<u>3,949</u>	<u>175,095</u>
-	-	-	4	38,053
548	-	-	-	548
-	-	-	-	78,812
-	-	285	-	536
-	-	-	-	2,880
<u>548</u>	<u>-</u>	<u>285</u>	<u>4</u>	<u>120,829</u>
<u>532</u>	<u>2</u>	<u>(13)</u>	<u>3,945</u>	<u>54,266</u>
-	-	-	2,891	2,891
-	-	-	-	(77,891)
-	-	-	2,891	(75,000)
532	2	(13)	6,836	(20,734)
<u>713</u>	<u>66</u>	<u>4,336</u>	<u>98,455</u>	<u>363,813</u>
<u>\$ 1,245</u>	<u>\$ 68</u>	<u>\$ 4,323</u>	<u>\$ 105,291</u>	<u>\$ 343,079</u>

*PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS*  
**COMBINING STATEMENT OF NET ASSETS**

June 30, 2006

	<i>Economic Development Fund</i>	<i>Public Improvement Fund</i>	<i>Equipment Fund</i>	<i>Total</i>
<b>Assets:</b>				
<b><i>Current Assets:</i></b>				
Cash, cash equivalents and investments	\$ 42,413	\$ 112,698	\$ 256,047	\$ 411,158
Accrued interest receivable	304	3,868	2,457	6,629
Total current assets	42,717	116,566	258,504	417,787
<b><i>Noncurrent assets:</i></b>				
Capital assets:				
Depreciable capital assets, net	-	118,252	402,932	521,184
Land held for development	135,658	-	-	135,658
Total noncurrent assets	135,658	118,252	402,932	656,842
Total assets	178,375	234,818	661,436	1,074,629
<b>Liabilities:</b>				
<b><i>Current Liabilities:</i></b>				
Accounts payable	690	-	4,178	4,868
Accrued expenses	-	-	334	334
Accrued interest payable	-	-	1,603	1,603
Current portion of long-term debt	-	-	10,000	10,000
Total current liabilities	690	-	16,115	16,805
<b><i>Noncurrent liabilities:</i></b>				
Long-term debt	-	-	125,000	125,000
Total noncurrent liabilities	-	-	125,000	125,000
Total liabilities	690	-	141,115	141,805
<b>Net assets:</b>				
Invested in capital assets, net of related debt	135,658	118,252	267,932	521,842
Unrestricted	42,027	116,566	252,389	410,982
Total net assets	\$ 177,685	\$ 234,818	\$ 520,321	\$ 932,824

# CITY OF YALE

## PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2006

	<i>Economic Development Fund</i>	<i>Public Improvement Fund</i>	<i>Equipment Fund</i>	<i>Total</i>
<b>Operating revenues:</b>				
Charges for services	\$ -	\$ -	\$ 20,650	\$ 20,650
Equipment rental	-	-	111,995	111,995
Other	-	-	1,125	1,125
Total operating revenues	-	-	133,770	133,770
<b>Operating expenses:</b>				
Personnel	-	-	13,267	13,267
Fringe benefits	-	-	4,467	4,467
Supplies	-	-	9,753	9,753
Contracted services	690	46	551	1,287
Repair and maintenance	-	-	15,147	15,147
Equipment rental	-	-	739	739
Other services and supplies	-	-	10,312	10,312
Depreciation	-	3,341	42,739	46,080
Total operating expenses	690	3,387	96,975	101,052
Operating income (loss)	(690)	(3,387)	36,795	32,718
<b>Non-operating revenues (expenses):</b>				
Interest income	902	4,934	4,229	10,065
Rental income	-	13,752	-	13,752
Proceeds from sale of land held for development	20,017	-	-	20,017
Insurance recoveries	-	-	7,173	7,173
Interest expense	-	-	(8,491)	(8,491)
Total non-operating revenues (expenses)	20,919	18,686	2,911	42,516
Net income (loss) before operating transfers	20,229	15,299	39,706	75,234
<b>Non-operating revenues (expenses):</b>				
Transfer to other funds	(15,769)	-	-	(15,769)
Total operating transfers	(15,769)	-	-	(15,769)
Net income (loss)	4,460	15,299	39,706	59,465
Net assets, beginning of year	173,225	219,519	480,615	873,359
Net assets, end of year	\$ 177,685	\$ 234,818	\$ 520,321	\$ 932,824

# CITY OF YALE

## PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2006

	<i>Economic Development Fund</i>	<i>Public Improvement Fund</i>	<i>Equipment Fund</i>	<i>Total</i>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ -	\$ -	\$ 20,650	\$ 20,650
Cash received from interfund services	-	-	111,995	111,995
Other cash receipts (payments)	2,379	(3,868)	(1,332)	(2,821)
Cash payments to employees	-	-	(12,933)	(12,933)
Cash payments to suppliers for goods and services	-	(46)	(26,562)	(26,608)
Net cash provided (used) by operating activities	<u>2,379</u>	<u>(3,914)</u>	<u>91,818</u>	<u>90,283</u>
<b>Cash flows from non-capital financing activities:</b>				
Operating transfers out	<u>(15,769)</u>	<u>-</u>	<u>-</u>	<u>(15,769)</u>
Net cash provided (used) by capital financing activities	<u>(15,769)</u>	<u>-</u>	<u>-</u>	<u>(15,769)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	-	-	(49,470)	(49,470)
Proceeds from sale of land held for development	20,017	-	-	20,017
Proceeds from insurance recoveries	-	-	7,173	7,173
Principal payments	-	-	(10,000)	(10,000)
Interest paid	-	-	(8,491)	(8,491)
Net cash provided (used) by capital and related financing activities	<u>20,017</u>	<u>-</u>	<u>(60,788)</u>	<u>(40,771)</u>
<b>Cash flows from investing activities:</b>				
Interest received	902	4,934	4,229	10,065
Rental income	-	13,752	-	13,752
Net cash provided by investing activities	<u>902</u>	<u>18,686</u>	<u>4,229</u>	<u>23,817</u>
Net increase (decrease) in cash and cash equivalents	7,529	14,772	35,259	57,560
Cash and cash equivalents, beginning of year	<u>34,884</u>	<u>97,926</u>	<u>220,788</u>	<u>353,598</u>
Cash and cash equivalents, end of year	<u>\$ 42,413</u>	<u>\$ 112,698</u>	<u>\$ 256,047</u>	<u>\$ 411,158</u>

continued

## PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

### COMBINING STATEMENT OF CASH FLOWS, CONTINUED

Year Ended June 30, 2006

	<i>Economic Development Fund</i>	<i>Public Improvement Fund</i>	<i>Equipment Fund</i>	<i>Total</i>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (690)	\$ (3,387)	\$ 36,795	\$ 32,718
Adjustments:				
Depreciation	-	3,341	42,739	46,080
Loss on sale of capital assets	-	-	10,312	10,312
Change in assets and liabilities:				
Land held for development	2,683	-	-	2,683
Accrued interest receivable	(304)	(3,868)	(2,457)	(6,629)
Accounts payable	690	-	2,492	3,182
Accrued expenses	-	-	334	334
Accrued interest payable	-	-	1,603	1,603
Net cash provided (used) by operating activities	<u>\$ 2,379</u>	<u>\$ (3,914)</u>	<u>\$ 91,818</u>	<u>\$ 90,283</u>

*COMPONENT UNITS*  
**COMBINING BALANCE SHEET**  
 June 30, 2006

	<i>Downtown Development Authority</i>	<i>Local Development Finance Authority</i>	<i>Total</i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 59,814	\$ 9,846	\$ 69,660
Taxes receivable	<u>4,135</u>	<u>29,872</u>	<u>34,007</u>
Total assets	<u><u>\$ 63,949</u></u>	<u><u>\$ 39,718</u></u>	<u><u>\$ 103,667</u></u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	<u>\$ 974</u>	<u>\$ 130</u>	<u>\$ 1,104</u>
Total liabilities	<u>974</u>	<u>130</u>	<u>1,104</u>
<b>Fund balances:</b>			
Unreserved	<u>62,975</u>	<u>39,588</u>	<u>102,563</u>
Total fund balances	<u>62,975</u>	<u>39,588</u>	<u>102,563</u>
Total liabilities and fund balances	<u><u>\$ 63,949</u></u>	<u><u>\$ 39,718</u></u>	<u><u>\$ 103,667</u></u>

## COMPONENT UNITS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	<i>Downtown Development Authority</i>	<i>Local Development Finance Authority</i>	<i>Total</i>
<b>Revenues:</b>			
Property taxes	\$ 66,879	\$ 29,872	\$ 96,751
Interest and rents	1,470	408	1,878
Other revenue	80	-	80
Total revenues	<u>68,429</u>	<u>30,280</u>	<u>98,709</u>
<b>Expenditures:</b>			
Current			
Community and economic development	54,499	374	54,873
Capital outlay	3,702	-	3,702
Debt service			
Principal	20,992	10,300	31,292
Interest and fees	1,435	101	1,536
Total expenditures	<u>80,628</u>	<u>10,775</u>	<u>91,403</u>
Net change in fund balance	(12,199)	19,505	7,306
Fund balances, beginning of year	<u>75,174</u>	<u>20,083</u>	<u>95,257</u>
Fund balances, end of year	<u>\$ 62,975</u>	<u>\$ 39,588</u>	<u>\$ 102,563</u>



# CITY OF YALE

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## FIDUCIARY FUNDS – AGENCY FUNDS

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

June 30, 2006

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2006</u>
<b><u>Payroll Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 7,249</u>	<u>\$ 659,775</u>	<u>\$ 662,402</u>	<u>\$ 4,622</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	<u>\$ 7,249</u>	<u>\$ 659,775</u>	<u>\$ 662,402</u>	<u>\$ 4,622</u>
<b><u>Current Tax Collection Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 846</u>	<u>\$ 1,628,213</u>	<u>\$ 1,103,358</u>	<u>\$ 525,701</u>
<b>Liabilities:</b>				
Accounts payable	<u>\$ 846</u>	<u>\$ 492,623</u>	<u>\$ -</u>	<u>\$ 493,469</u>
Due to other governmental units	<u>-</u>	<u>1,135,590</u>	<u>1,103,358</u>	<u>32,232</u>
Total liabilities	<u>\$ 846</u>	<u>\$ 1,628,213</u>	<u>\$ 1,103,358</u>	<u>\$ 525,701</u>
<b><u>Total Agency Funds</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 8,095</u>	<u>\$ 2,287,988</u>	<u>\$ 1,765,760</u>	<u>\$ 530,323</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	<u>\$ 8,095</u>	<u>\$ 1,152,398</u>	<u>\$ 662,402</u>	<u>\$ 498,091</u>
Due to other governmental units	<u>-</u>	<u>1,135,590</u>	<u>1,103,358</u>	<u>32,232</u>
Total liabilities	<u>\$ 8,095</u>	<u>\$ 2,287,988</u>	<u>\$ 1,765,760</u>	<u>\$ 530,323</u>

# CITY OF YALE

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## GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2006

### PURCHASE CONTRACT - FIRE TRUCK

Issue dated October 12, 2001 in the amount of       \$       185,000

Less:           Principal paid in prior years               (40,000)  
          Principal paid in current year               (10,000)

Balance payable at June 30, 2006                       \$       135,000

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Rate</u></i>	<i><u>Principal</u></i> <i><u>October 1</u></i>	<i><u>Interest</u></i> <i><u>October 1</u></i>	<i><u>Interest</u></i> <i><u>April 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2007	4.75%	\$       10,000	\$       3,206	\$       2,969	\$       16,175
2008	4.75%	12,500	2,969	2,672	18,141
2009	4.75%	12,500	2,672	2,375	17,547
2010	4.75%	12,500	2,375	2,078	16,953
2011	4.75%	12,500	2,078	1,781	16,359
2012	4.75%	12,500	1,781	1,484	15,765
2013	4.75%	15,000	1,484	1,128	17,612
2014	4.75%	15,000	1,128	772	16,900
2015	4.75%	15,000	772	416	16,188
2016	4.75%	<u>17,500</u>	<u>416</u>	<u>-</u>	<u>17,916</u>
		<u>\$       135,000</u>	<u>\$       18,881</u>	<u>\$       15,675</u>	<u>\$       169,556</u>

Note: The Equipment Fund is obligated for this debt.

# CITY OF YALE

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## *BUSINESS-TYPE ACTIVITIES* **SCHEDULE OF INDEBTEDNESS**

June 30, 2006

### **GENERAL OBLIGATION BOND (COUNTY OF ST. CLAIR) - PROJECT 5086-01**

Issue dated March 12, 1993 in the amount of           \$    2,486,552

Less:           Principal paid in prior years                   (1,246,552)  
          Principal paid in current year                   (125,000)

Balance payable at June 30, 2006                   \$   1,115,000

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Rate</i>	<i>Principal October 1</i>	<i>Interest October 1</i>	<i>Interest April 1</i>	<i>Total Annual Requirement</i>
2007	2.00%	\$   130,000	\$    11,150	\$    9,850	\$  151,000
2008	2.00%	130,000	9,850	8,550	148,400
2009	2.00%	135,000	8,550	7,200	150,750
2010	2.00%	140,000	7,200	5,800	153,000
2011	2.00%	140,000	5,800	4,400	150,200
2012	2.00%	145,000	4,400	2,950	152,350
2013	2.00%	145,000	2,950	1,500	149,450
2014	2.00%	<u>150,000</u>	<u>1,500</u>	<u>-</u>	<u>151,500</u>
		<u><u>\$   1,115,000</u></u>	<u><u>\$    51,400</u></u>	<u><u>\$    40,250</u></u>	<u><u>\$ 1,206,650</u></u>

Note: The Sewer Fund is obligated for this debt.

# CITY OF YALE

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2006

### REVENUE BOND - WATER SUPPLY SYSTEM REVENUE BOND

Issue dated October 1, 2001 in the amount of \$ 1,857,000

Less: Principal paid in prior years (151,000)  
Principal paid in current year (44,000)

Balance payable at June 30, 2006 \$ 1,662,000

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Rate</i>	<i>Principal October 1</i>	<i>Interest October 1</i>	<i>Interest April 1</i>	<i>Total Annual Requirement</i>
2007	4.875%	\$ 46,000	\$ 40,511	\$ 39,390	\$ 125,901
2008	4.875%	48,000	39,390	38,220	125,610
2009	4.875%	50,000	38,220	37,001	125,221
2010	4.875%	20,000	37,001	36,514	93,515
2011	4.875%	22,000	36,514	35,977	94,491
2012	4.875%	24,000	35,977	35,392	95,369
2013	4.875%	25,000	35,392	34,783	95,175
2014	4.875%	26,000	34,783	34,149	94,932
2015	4.875%	27,000	34,149	33,491	94,640
2016	4.875%	28,000	33,491	32,809	94,300
2017	4.875%	29,000	32,809	32,102	93,911
2018	4.875%	30,000	32,102	31,371	93,473
2019	4.875%	32,000	31,371	30,591	93,962
2020	4.875%	33,000	30,591	29,786	93,377
2021	4.875%	35,000	29,786	28,933	93,719
2022	4.875%	37,000	28,933	28,031	93,964
2023	4.875%	38,000	28,031	27,105	93,136
2024	4.875%	40,000	27,105	26,130	93,235
2025	4.875%	42,000	26,130	25,106	93,236
2026	4.875%	44,000	25,106	24,034	93,140
2027	4.875%	46,000	24,034	22,912	92,946
2028	4.875%	48,000	22,912	21,742	92,654
2029	4.875%	51,000	21,742	20,499	93,241
2030	4.875%	53,000	20,499	19,207	92,706
2031	4.875%	56,000	19,207	17,842	93,049
2032	4.875%	59,000	17,842	16,404	93,246
2033	4.875%	61,000	16,404	14,917	92,321
2034	4.875%	64,000	14,917	13,357	92,274
2035	4.875%	67,000	13,357	11,724	92,081
2036	4.875%	71,000	11,724	9,994	92,718
2037	4.875%	74,000	9,994	8,190	92,184
2038	4.875%	78,000	8,190	6,289	92,479
2039	4.875%	82,000	6,289	4,290	92,579
2040	4.875%	86,000	4,290	2,194	92,484
2041	4.875%	90,000	2,194	-	92,194
		<u>\$ 1,662,000</u>	<u>\$ 870,987</u>	<u>\$ 830,476</u>	<u>\$ 3,363,463</u>

Note: The Water Fund is obligated for this debt.

*COMPONENT UNITS*  
**SCHEDULE OF INDEBTEDNESS**

June 30, 2006

**PROMISSORY NOTE - DOWNTOWN IMPROVEMENTS**

Issue dated June 3, 2003 in the amount of                   \$       105,000

Less:                   Principal paid in prior years                   (40,618)  
                          Principal paid in current year               (20,992)

Balance payable at June 30, 2006                               \$       43,390

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Rate</u></i>	<i><u>Principal</u></i>	<i><u>Interest</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2007	2.23%	\$     21,460	\$         968	\$     22,428
2008	2.23%	<u>21,930</u>	<u>489</u>	<u>22,419</u>
		<u><u>\$     43,390</u></u>	<u><u>\$       1,457</u></u>	<u><u>\$     44,847</u></u>

Note: The Downtown Development Authority is obligated for this debt.

**LOAN PAYABLE**

Issue dated December 5, 2003 in the amount of           \$       5,300

Less:                   Principal paid in prior years                   -  
                          Principal paid in current year               (5,300)

Balance payable at June 30, 2006                               \$       -

Note: The Local Development Finance Authority is obligated for this debt.

*COMPONENT UNITS*  
**SCHEDULE OF INDEBTEDNESS**

June 30, 2006

**CONTRACT PAYABLE - REPAIR WORK**

Issue dated December 30, 2003 in the amount of	\$ 25,000
Less: Principal paid in prior years	(10,000)
Principal paid in current year	<u>(5,000)</u>
Balance payable at June 30, 2006	<u><u>\$ 10,000</u></u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Rate</u></i>	<i><u>Principal</u></i>
2007	0.00%	\$ 5,000
2008	0.00%	<u>5,000</u>
		<u><u>\$ 10,000</u></u>

Note: The Local Development Finance Authority is obligated for this debt.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Members of City Council  
City of Yale, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Yale, as of and for the year ended June 30, 2006, which collectively comprise the City of Yale's basic financial statements and have issued our report thereon dated October 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of Yale's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Yale's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and City Council and is not intended to be and should not be used by anyone other than these specified parties.

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants

October 5, 2006



October 5, 2006

Members of the City Council  
City of Yale, Michigan

We have audited the financial statements of the City of Yale for the year ended June 30, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of the City of Yale in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.



For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Yale are described in Note 1 to the financial statements. We noted no transactions entered into by the City of Yale during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the City's financial statements and this communication of these matters does not affect our report on the financial statements, dated October 5, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants